**Historic, Archive Document**

Do not assume content reflects current
scientific knowledge, policies, or practices.

A281
.9
F76FO
copy 3

# FOREIGN AGRICULTURE

June 6, 1977

Harvesting coffee, Colombia

- Brazil's Coffee Crop Up
- World Food Prices

TRI-AGENCY READING ROO
500 12th St., SW, Room 50
Washington, D. C. 20250

Foreign
Agricultural
Service
U. S. DEPARTMENT
OF AGRICULTURE

**FOREIGN AGRICULTURE**

Vol. XV • No. 23 • June 6, 1977

In this issue:



This week's cover:

Colombian coffee being harvested. A worker can pick 12-15 baskets of coffee berries per day, each basket weighing roughly 12.5 kilograms. The article, beginning this page, looks at the latest estimate for Brazilian and Colombian coffee harvests for 1977/78.

Bob Bergland,
Secretary of Agriculture

Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs

David L. Hume, Administrator, Foreign Agricultural Service

Editorial Staff:
Kay Owsley Patterson, Editor
Beverly J. Horsley, Assoc. Editor
G. H. Baker, Marcellus P. Murphy, Aubrey C. Robinson, Isabel A. Smith, Lynn A. Krawczyk.

Advisory Board:
Richard A. Smith, Chairman; William Horbaly, James L. Hutchinson, Richard M. Kennedy, J. Don Looper, Larry B. Marton, Brice K. Meeker, Jimmy D. Minyard, Steve Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget through June 30, 1979. Yearly subscription rate: $34.35 domestic, $42.95 foreign; single copies 70 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

# Brazil's Coffee Crop Up, Colombia's Output Steady

By WILLIAM C. BOWSER, JR.
*Foreign Commodity Analysis, Sugar and Tropical Products*
*Foreign Agricultural Service*

BRAZIL'S EMERGENCY program to bring its coffee production back to pre-1975 frost levels of 25 million bags (60 kg each) by the 1979/80 crop year appears to be on target. The first FAS estimate for the 1977/78 Brazilian coffee crop is 17 million bags, up almost 80 percent from the 1976/77 output. Colombia—second only to Brazil in coffee production—plans to maintain its coffee output at no less than the current level of 9 million bags, and output could exceed 11 million bags by 1980.

With Brazil's frost-damaged trees showing excellent leafing and vegetative growth, and with potentially higher yields from large numbers of young trees planted since 1970, the outlook is for a further increase in Brazil's crop in 1978/79, despite reports of unseasonably cold weather in Paraná last month, and barring further damaging frosts. With favorable weather and growing conditions, Brazil appears capable of producing a crop of 28 million bags or more by 1979/80.

According to the Brazilian Coffee Institute (IBC), Brazil expects to plant 100-150 million coffee trees this year (1977/78). During the replanting program last year, the IBC financed the planting of nearly 375 million new trees. If the 1977/78 program is successful, Brazil will have increased its coffee tree population by 500 million trees in 2 years, bringing total tree numbers to 3.1 billion, compared with 2.8 billion prior to the 1975 frost.

Except for Brazil—where coffee leaf rust already exists and is effectively controlled by regular spraying with a copper fungicide—all coffee-producing countries have expressed great concern over the possibility of leaf rust (roya) spreading into their countries. However, the sense of panic that gripped many countries when news of the outbreak of leaf rust in Nicaragua was reported in November 1976 now appears to have lessened.

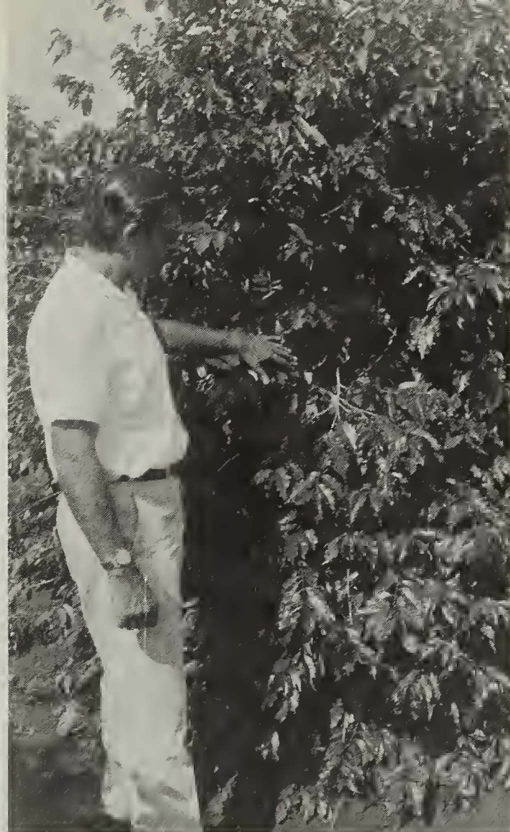
Most countries, like Colombia, feel the disease can be controlled—should it occur—in much the same way as Brazil controls it. However, Colombia's coffee—as well as that of other Latin American countries—is largely shade-grown in mountain areas where trees are frequently close together. This growth pattern makes spray control for rust undoubtedly more difficult than in Brazil's producing areas, where coffee is sun-grown at lower altitudes and on less difficult terrain.

There appears to be a consensus that current record-high prices for coffee are not in the best interests of the coffee-producing countries. Many producers fear that today's prices could lead to an irreversible downturn in world coffee consumption, primarily through the use of coffee substitutes such as chicory and toasted wheat or barley in coffee blends. On the other hand, no producers feel that coffee prices could return to prices anywhere near those of prefrost levels, given current world inflation levels, rising labor costs, and increasing costs of production inputs.

**Brazil.** Owing to Brazil's dominant role in the world coffee economy, the devastating effects of the 1975 frost in Brazil's two principal producing States—Paraná and São Paulo—were felt throughout the coffee world. But it is encouraging that Brazil's coffee recovery program has proceeded with such a high degree of success.

Stumped and sharply pruned trees are showing remarkable new growth and bright, full leafing under a regimen of fertilizer, fungicides, and tender loving care that only sharply higher prices for coffee can bring. The Government has already spent a cruzeiro equivalent of US$1 billion for this program, and growers were quick to utilize the extremely favorable loan terms available.

The FAS forecast for the 1977/78 crop, which is now being harvested, is based on a series of survey trips through Brazil's major coffee-producing zones. The latest survey, conducted April 11-23, was made at the start of the harvest-



*From far left: Hoeing weeds out of coffee groves that have been interplanted with corn in Paraná; Leon Yallouz, economist with the U.S. Agricultural Attaché office, samples coffee yields for the 1977/78 Brazilian crop; examining coffee in Colombia, prior to final milling process.*

ing season (April-August).[1] Any damage from frosts during the colder months of June-August will not significantly affect the size of the current crop.

The 17-million-bag forecast for the Brazilian crop is broken down—in million bags—by producing States as follows (with 1976/77 figures in parentheses): São Paulo 7 (2.5); Minas Gerais 6 (5); Paraná 2 (0); and others 2 (2).

According to IBC statistics, Brazil's coffee area in 1975/76 was 2.7 million hectares (harvested area, 2.25 million hectares). The number of coffee trees was 2.8 billion, of which 701 million trees were under 5 years of age. Since 1968/69, the number of adult trees has remained virtually the same, while the number of young trees has grown from 172 million to over 800 million.

As a result of the 1975 frost, the number of trees in production dropped from 2.14 billion (1975/76) to 1.16 billion (1976/77)—a decline of almost 50 percent.

Some general observations gathered from the April survey of the main coffee areas are indicative of the current crop situation prevailing in Brazil:

• In Paraná, almost the entire 1976 crop was lost owing to the severity of the 1975 frost. While only 15 percent of the tree population was completely destroyed, all trees were seriously damaged, requiring extensive stumping and pruning. About 230 million trees were uprooted and removed, including 130 million trees that were marginal producers, located in the most frost-prone areas of the State.

Much of this land was flat, rich in soil nutrients, and well suited to mechanized farming. For this reason, farmers in these areas converted from coffee to double-cropping soybeans and wheat. With approximately 1,000 coffee trees per hectare, this would indicate approximately 230,000 hectares were switched from coffee to the soybean/wheat rotation in Paraná.

Of the remaining trees, almost all showed excellent vegetative growth. Young trees planted since the frost looked good and should be bearing a significant load of coffee berries next year. Most of the new trees planted since 1969/70 and since the frost are of improved Mundo Nova strains or the newer high-yielding Caturra variety.

The decision of the IBC to increase its financing from 6 to 8 cruzeiros for each new seedling planted was expected to result in a total of 80 million new trees in Paraná by the end of May 1977, when the 1976/77 replanting program was concluded. Because older trees located east of Londrina—the coffee center of the State—exhibited a somewhat slower rate of recuperation than younger trees on farms in the western coffee areas, it will be another year or more—barring further frost damage—before Paraná's crop nears pre-1975 frost levels of over 10 million bags.

• The frost damage to trees in São Paulo also was extensive, particularly in the western part of the State that is geographically in line with the frost-prone areas of Paraná. However, São Paulo is north of Paraná and has a generally milder climate. Therefore, the intensity of the frost was not nearly as severe as in Paraná. In the important coffee-producing north and northeastern parts of the State, coffee trees suffered little or no damage.

Remaining damaged trees in the western part of São Paulo showed good recovery, but the yield of beans was generally below normal. In the north and northeastern coffee areas, however, the trees were bearing a near maximum load of berries. Owing to regular spraying, there was very little sign of leaf rust, and trees of all ages—including Mundo Novas—15-20 years old—were in excellent condition. Also, new and young plantings of Caturra trees covered large areas, and these trees will add to São Paulo's crop potential in coming years.

• It is in Minas Gerais that the long-term potential for more stable Brazilian coffee production exists. Basically frost-free, with generally poorer soils than Paraná or São Paulo, and with large areas of hilly land more suitable to coffee than to other crops, Minas Gerais is rapidly becoming a challenge to

---

**[1] The survey team included Leon Mears, U.S. Agricultural Attaché, Brasília; Leon Yallouz, Office of the U.S. Agricultural Attaché; and the author.**

Paraná and São Paulo as the most important coffee-producing State in Brazil.

The IBC office in Varginha in the State of Minas Gerais has been pushing new techniques of coffee farming, including contour planting in hilly areas, new high-yielding varieties, more trees per hectare, and proper and adequate use of fertilizer. Since Minas Gerais did not suffer frost damage in 1975, coffee farmers have been rewarded with good yields at a time of sharply rising prices.

BECAUSE MINAS GERAIS is frost-free, much of the IBC's seedling nursery industry is concentrated in this State. Since the IBC started its program of renewing older coffee areas in Minas Gerais in 1969, 270 million trees were planted in the southwest part of the State alone, of which 70 million have been planted in the past year or so. Thus, more than 40 percent of the tree population in Minas Gerais is of relatively young trees—many just beginning to reach their prime production years over 5-6 years of age.

One of the most progressive of the coffee cooperatives in Minas Gerais, with a membership of some 180 growers, producing an estimated 150,000 bags of coffee in 1977/78, reported it was concluding plans to join with 10 other cooperatives to form a major marketing co-op to export coffee directly to importing countries.

This would be the first effort by producer co-ops in Brazil to export their own coffee, bypassing traditional coffee exporters and brokers. According to the superintendent of this co-op, the total volume of coffee that would be handled could reach 2.5 million bags—or about 10 percent of the average total Brazilian crop.

**Colombia.** Although concerned that current high prices for coffee may lead to future world surpluses once Brazil's production returns to normal, Colombia has no intention of giving ground to other producing countries during the period of tight world supplies. Colombia has been engaged in a program of renovating its older coffee areas for a number of years.

In addition, one of the policies established during the Coffee Producers Congress last November in Bogotá was to set a production goal of 11.4 million bags of coffee by 1980.

On February 4, 1977, the National Coffee Growers Federation (CGF) was authorized to fund 2.5 billion pesos (about US$80 million) into coffee expansion projects. During the next 2 years, nearly 30,000 additional hectares are to be planted to coffee. It is probable that much of this new area will be planted to Caturra trees. According to officials of the CGF, coffee growers have already subscribed to roughly 400 million pesos of this sum.

Under its renovation program, Colombia hopes to completely renovate about 600,000 hectares of its older coffee areas, or about 60 percent of its total coffee area of roughly 1 million hectares.

Farmers' interest in renovating their farms has increased substantially with the news of leaf rust in Central America (an area producing 12-13 million bags) that poses an eventual threat to their own coffee areas. Renovation includes the stumping or sharp pruning of older marginal trees and interplanting with new high-yielding varieties such as Caturra. Such renovated farms will find it much easier to use spraying equipment for rust control than in the jungle-like areas of 50-60-year-old coffee trees, that almost have grown together over the years. Such proximity of plants is also likely to facilitate the spread of leaf rust once it does appear in these areas.

Colombia is also planting considerable new areas to unshaded or sun-grown coffee. Sun-grown coffee probably makes up less than 20 percent of Colombia's current total area planted to coffee.

Unlike Brazil, where coffee is largely sun-grown at relatively low altitudes and dried in the husk, Colombia's coffee is grown predominantly in mountainous areas, at altitudes between 1,300 and 1,800 meters. Most of Colombia's coffee is shaded by large legume trees and banana plants. Under these conditions, coffee plants tend to grow more slowly than sun-grown coffee, but need less fertilizer to maintain good growth. Colombia is proud of the fact that its coffee is produced with mainly organic fertilizer and very little, if any, chemical spraying. It is just such factors, along with the traditional process of producing high-quality "washed" coffee (as opposed to Brazilian dried and husked coffee), that results in the mild characteristics that have brought Colombian coffee premium prices over the years.

Of all the major coffee-producing countries of the world, Colombia is probably the only country that does not "cup" its coffee (coffee-sampling by tasters) for flavor and taste. According to a major exporter, Colombia sells only one grade of coffee—Excelso, or export quality beans. These two factors make for a much simpler, less costly method of processing coffee for the export market.

Coffee is important to Colombia's economic security; the cultivation, processing, and marketing of coffee is the principal economic activity of the country, and contributes more than 25 percent of the gross agricultural product and 4 percent of the total gross domestic product. Nearly 2 million people, or 10 percent of the total population, are dependent on coffee as a principal source of income.

It is coffee's contribution to Colombia's foreign exchange earnings, however, that emphasizes the importance of this single crop to the nation's welfare. During 1970-76, coffee's share of total export earnings ranged from 44-64 percent, with the total export value reaching an estimated US$996 million in 1976—an increase of nearly 50 percent from earnings in 1975.

THIS SUDDEN INFLUX of coffee dollars is also contributing to the sharply rising rate of inflation. In the first 4 months of 1977, the consumer price index rose 19 percent, with a 6-7 percent jump in April alone. Based on present economic data, Colombians are facing a potential annual inflation rate for 1977 of 35 percent or more. This is the major reason the Government of Colombia is using every device at its disposal, including the siphoning off of coffee dollars through increasing taxes, to maintain the nation's economy in a reasonable state of equilibrium.

There are coffee industry representatives in many coffee-producing countries who feel that coffee prices during recent months have been uncomfortably high. They are equally concerned that a sharp and prolonged drop in the price of coffee could bring serious economic consequences, especially to those countries that are highly dependent on coffee as a primary source of national income. It remains to be seen whether the International Coffee Organization, of which the United States is a member, will provide a forum under which both producing and importing member countries can be served equitably.

# GREEN COFFEE PRICES FALL . . . BUT WORST MAY NOT BE OVER

Under the impact of high and rising retail prices, consumers curbed their coffee drinking sufficiently and roasters held back on coffee imports enough to send world prices for green coffee tumbling, at least temporarily, some 15 percent between mid-April and mid-May. Furthermore, it now looks as if Brazil's 1977/78 coffee crop will show about an 80 percent rebound from the 1976/77 crop to put output within 8 million bags of the prefrost norm of around 25 million bags (of 60 kg each).

Yet, reports of cold weather in the Brazilian State of Paraná during May 16 and 17 caused green coffee prices to react sharply upward, and wholesale prices for coffee could again increase. Also, because retail prices lag wholesale prices by several months, retail prices will continue to rise before the coffee crunch is over. Here are some reasons why:

- Coffee importing by U.S. roasters has been unusually slow in recent months, with the market stalled in a "wait-and-see" position that cannot be maintained indefinitely;
- The Governments of Brazil and Colombia have extensive control over their coffee exports and can influence prices through the use of export taxes, minimum-export prices, and other measures. Recently, for instance, Brazil prohibited the export of lower grade coffees, which had the effect of keeping export prices for other grades up.
- Brazil's coffee stock level will fall to an almost unheard-of low before the coffee crunch ends. Some sources believe these stocks could be drawn down to only 10-11 million bags by the end of June from the 29.9 million reportedly held as of March 31, 1976, and the 60-70 million held in the mid-1960's, when Brazil's stocks alone nearly equaled world production for a full year.
- Retail coffee prices have not yet fully reflected the International Coffee Organization's (ICO) composite world price, which reached $3.40 per pound in mid-April before declining to around $2.90 as of mid-May.
- Brazil's frost-prone coffee States of Paraná and São Paulo still must weather the approaching winter, when just a short period of frost could adversely affect coffee production the following year or longer. Already, reports of unseasonably cold weather in Paraná in mid-May have caused market prices to jump—at least temporarily—reflecting the nervousness of the coffee trade to this type of information.
- Producers in Central America and Colombia are anxiously watching progress of the coffee rust that recently hit Nicaragua, with concern that this spore-transmitted disease may eventually catch up with them. The rust was contained rather quickly when it hit Brazil some 7 years ago, but rust might be more difficult to eradicate from shade-grown coffee in mountainous Colombia.

U.S. imports of green coffee, meantime, are continuing the slight volume decline of last year. Through January-March 1977, these imports totaled 5.5 million bags, valued at $1.26 billion, compared with 5.7 million bags, valued at $553 million, in the first 3 months of 1976.

Similarly, U.S. coffee imports during calendar 1976 totaled 19.79 million bags valued at $2.63 million—down 2.5 percent in volume but up 68 percent in value from 1975. As a result of this sharp price rise, coffee accounted for 24 percent of the nearly $11 billion worth of U.S. farm imports last year, compared with 17 percent of the $9.3 billion in total imports during 1975.

The sharp rise in the unit value of imports during the last year and a half has led to some marked changes on the wholesale and retail markets.

The Economic Research Service reports that during January-March 1977 per capita U.S. disappearance of green coffee declined to 3.0 pounds from 3.6 in the first quarter of 1976, continuing a decline that began in mid-1976. And ERS officials forecast that the decline will continue through 1977, reducing consumption to less than 11.8 pounds per person—the lowest level since 1925.

This consumption cutback led to a 15 percent drop to 4.76 million bags in green coffee roastings during the first 3 months of 1977 from roastings a year earlier. In addition, coffee importers, dealers, and roasters have been able to hold back temporarily on importing green coffee without jeopardizing their stock position. As of March 31, these stocks totaled 3.52 million bags, compared with 3.19 million a year earlier. And major grocery chains have reported a falloff in retail sales, plus a buildup of coffee inventories at the retail market level.

The combination of lower consumption, reduced roastings, potential lower imports, and so-far ample stocks has contributed to the decline in green coffee prices since mid-April. From about $3.40 a pound at that time, the ICO composite price fell to $3.22 by the end of April and to $2.88 in the second week of May before reacting upward at the news of the cold wave that hit Paraná. Still, they remain far above prices before the July 1975 freeze in Brazil. Between January and June 1975, for instance, green coffee prices ranged from a high of 64 cents per pound in January to a low of 59 cents in April, and even in the last half of 1975, prices did not go above 90 cents per pound.

Despite this strong impact from the Brazilian frost of 1975, Brazil in recent years has had a decreasing share of the U.S. coffee market. Last year, Brazil accounted for only 16 percent of total U.S. imports of green coffee, against 19 percent the previous year and an average 29 percent in 1966-70. It was surpassed by African and Asian suppliers, who held a combined 37 percent of the U.S. market, as well as by Mexico and Central America, with 22 percent. And Colombia was close on Brazil's heels, with 13 percent of the U.S. market in 1976.

Finally, U.S. consumers set back by progressively higher coffee prices can take solace from the fact that consumers in Scandinavia and other countries of Western Europe not only are paying as much or more for their coffee but also are paying more to maintain a much higher per capita consumption. For instance, per capita imports of green coffee by Denmark, Finland, and Sweden totaled 29.2, 27.2, and 29.8 pounds, respectively, in 1975, compared with only 12.6 for the United States.

# World Food Prices Eased in 12-Month Period

FOOD PRICE inflation has eased somewhat in many parts of the world.

Food price indexes (FPI's) and consumer price indexes (CPI's) for March 1976-March 1977 in 15 selected countries—including the United States—show significant reductions in the rate of price increases.

Even in Argentina, where three-digit inflation has been a persistent problem, a slower rate of increase was evident. Between March 1975 and March 1976, Argentina's FPI increased by 628 percent and its CPI by 566 percent, but between March 1976 and March 1977 the increase in the FPI had slowed to 224 percent and that of the CPI to 216 percent.

Only seven of the 15 countries surveyed still have double-digit rates of inflation in their FPI's, compared with 10 countries a year earlier. Three countries—Belgium, Denmark, and the Netherlands—have moved from the two-digit to the single-digit inflation category.

Food prices shopped by FAS on May 4 in the capitals of the 15 countries bear out the reported slackening in the growth rate of prices.

Since the March price survey, egg prices have dropped in 13 of the 15 capitals. Substantial decreases were reported by Bonn, Brasília, Rome, The Hague, Tokyo, and Washington. Only Canberra reported a rise in egg prices, and that by the equivalent of only 1 U.S. cent per dozen. Buenos Aires reported egg prices unchanged from the March level.

About half of the capitals in the survey reported declines in broiler prices since the previous report. Because of overproduction and sluggish demand, Brussels broiler prices dropped by 5.4 percent.

Another year of increased poultry meat output is expected in the United Kingdom. Egg producers, however, have been hit by declining demand and lower returns.

Poultry prices in the United Kingdom during the first half of 1977 are expected to remain above 1976 levels, with producer returns later in the year bolstered by stabilized feed costs.

In Bonn, demand for and consumption of poultry meat are forecast to expand only slightly because of continued competition from plentiful supplies of beef and pork. Annual per capita consumption of poultry meat in West Germany is forecast to increase to about 9.1 kilograms this year.

Rome's broiler prices were at a high level during the first months of 1976, which stimulated production and depressed prices during the summer.

Some price advances have occurred since last summer, however. Prices during the first 3 months of 1977 averaged 7.5 percent below those of the same months of 1976. A tendency toward overproduction is still evident.

In The Hague, higher output and lower-than-expected offtake for export resulted in a moderate drop in prices for fresh eggs. Poultry meat prices were steady, however.

Retail beef prices in Brussels remained at high levels in early May, with chuck roast up 2.2 percent from the level reported 2 months earlier.

The temporary sanitary restrictions that are limiting Belgium's imports of live hogs and pork from the Netherlands have resulted in a strengthening of Belgian domestic retail pork prices. The price for pork loin roast in Brussels

ANNUAL PERCENTAGE CHANGES IN RETAIL FOOD PRICES, BY COMMODITY, IN SELECTED WORLD CAPITALS, MAY 1976-MAY 1977 [1]

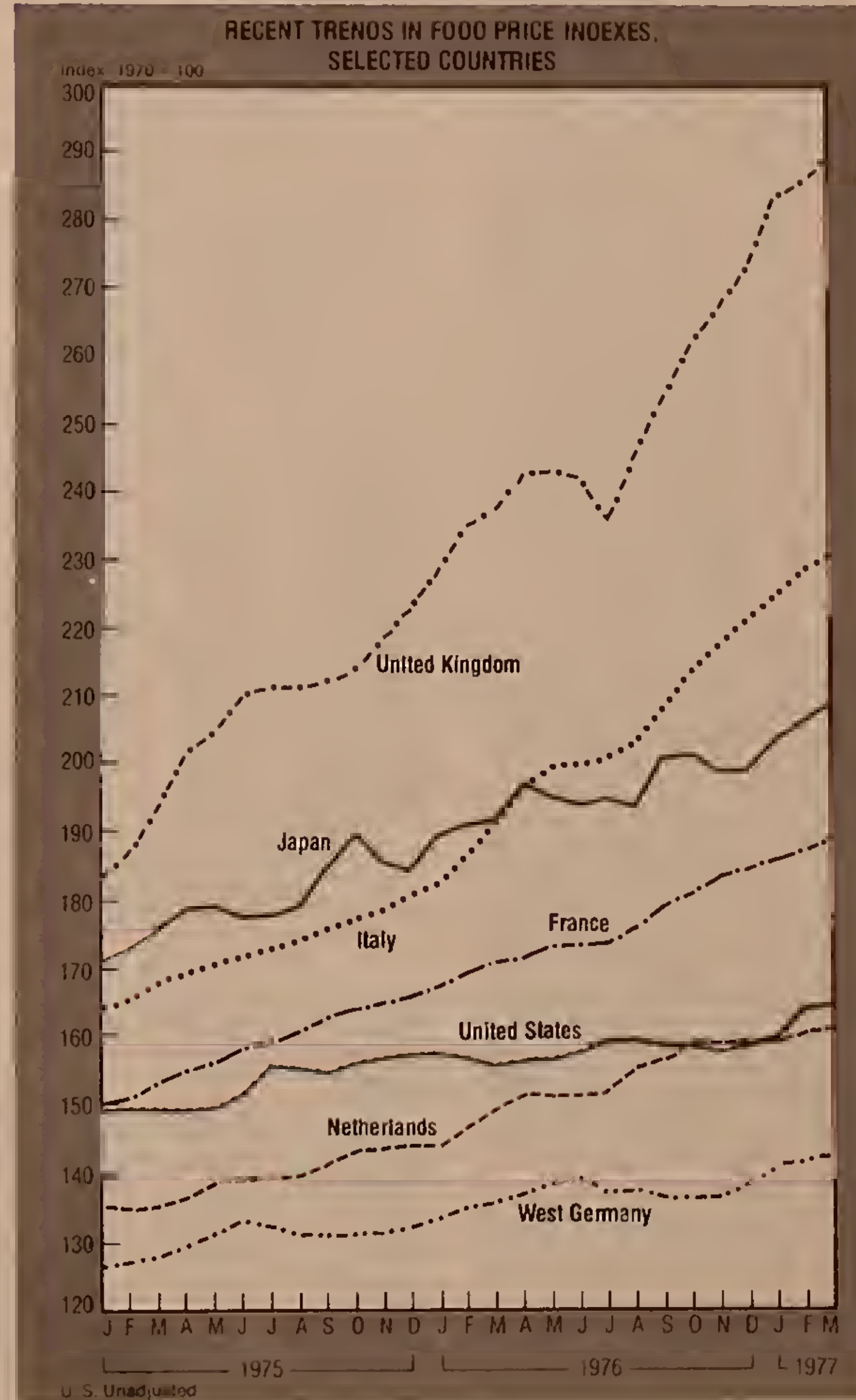
| City | Steak, sirloin, boneless | Roast, chuck, boneless | Pork chops | Roast, pork, boneless | Ham, canned | Bacon, sliced, pkgd. | Broilers, whole | Eggs, dozen | Butter | Margarine | Cheese: Edam, Gouda, or Chedder | Milk, whole, liter | Oil, cooking, liter | Tomatoes | Onions, yellow | Potatoes | Apples | Oranges, dozen | Bread, white, pkgd. | Rice | Sugar |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bonn ......... | − 3 | − 2 | − 2 | +18 | ([2]) | + 3 | + 9 | +11 | 0 | + 8 | +17 | − 4 | + 3 | +36 | − 4 | −56 | + 47 | + 2 | −28 | − 1 | + 13 |
| Brasília ....... | +13 | +47 | +16 | +23 | +52 | +27 | + 8 | + 9 | + 5 | +17 | +35 | +24 | + 59 | − 3 | −38 | −52 | +360 | +64 | + 9 | + 5 | + 33 |
| Brussels ...... | + 9 | +16 | − 5 | − 3 | +27 | +21 | − 3 | +16 | +10 | +20 | +14 | +15 | + 6 | +15 | + 1 | −43 | − 3 | +43 | +20 | + 7 | + 32 |
| Buenos Aires ... | −11 | + 3 | −15 | ([2]) | ([2]) | ([2]) | +40 | +25 | +10 | +61 | +44 | − 5 | + 4 | +47 | +15 | −38 | + 50 | 0 | − 2 | 0 | − 43 |
| Canberra ...... | − 2 | +38 | −20 | ([2]) | +43 | −18 | −11 | −10 | −15 | − 7 | + 3 | − 5 | + 4 | −56 | −40 | + 6 | − 50 | +12 | − 6 | + 1 | 0 |
| Copenhagen ... | + 3 | + 1 | + 1 | − 4 | +32 | + 1 | + 1 | +11 | +12 | +66 | +28 | +12 | + 10 | + 1 | + 1 | −50 | + 54 | +11 | + 2 | + 6 | +112 |
| London ....... | + 2 | + 4 | − 6 | − 1 | − 1 | − 8 | +35 | + 3 | +22 | +10 | +16 | +19 | +159 | +27 | +15 | −52 | − 5 | −35 | +20 | + 19 | + 5 |
| Mexico City .... | −31 | −25 | −41 | −37 | ([2]) | −45 | −36 | −32 | −43 | −40 | −29 | −22 | − 44 | −59 | +21 | −19 | − 61 | −45 | −37 | − 39 | + 50 |
| Ottawa ........ | − 5 | −14 | −15 | −48 | + 3 | −12 | −18 | − 4 | + 1 | + 1 | + 8 | + 3 | − 4 | + 8 | +30 | +10 | − 6 | + 7 | − 1 | − 10 | − 17 |
| Paris ......... | +15 | +11 | ([2]) | − 7 | − 8 | +80 | +45 | − 2 | + 4 | +20 | − 3 | + 6 | + 1 | +51 | + 1 | −67 | + 45 | −48 | +14 | +172 | − 2 |
| Rome ......... | +13 | +24 | +10 | +10 | −45 | +17 | 0 | −12 | + 8 | + 8 | +26 | +42 | + 30 | +52 | +114 | −34 | + 2 | +16 | +19 | +121 | + 24 |
| Stockholm ..... | −11 | +14 | +12 | +13 | +11 | − 3 | + 4 | +17 | + 2 | + 8 | +13 | + 6 | + 4 | −17 | + 2 | +20 | + 2 | +39 | + 1 | − 5 | + 11 |
| The Hague ..... | +18 | +19 | − 6 | − 6 | + 2 | + 7 | +19 | +21 | +15 | +35 | +11 | +17 | + 22 | − 9 | − 4 | −55 | + 65 | +10 | − 5 | + 5 | + 16 |
| Tokyo ......... | − 2 | +16 | 0 | − 4 | + 6 | −14 | − 4 | − 5 | +12 | −24 | +33 | − 4 | + 7 | +35 | + 6 | +80 | + 12 | +54 | +18 | + 13 | − 5 |
| Washington .... | + 1 | − 6 | −11 | + 1 | − 7 | −11 | − 3 | + 1 | +20 | 0 | + 9 | 0 | + 12 | + 6 | +42 | +21 | − 6 | +60 | − 2 | − 10 | − 12 |

[1] From viewpoint of consumer whose income is in dollars, thus reflecting both changes in local currency prices and exchange rates. [2] Not available. Source: U.S. Agricultural Attachés.

FAS SURVEY OF RETAIL FOOD PRICES IN SELECTED WORLD CAPITALS, MAY 4, 1977
[U.S. dollars per kg or units as indicated,[1] converted at current exchange rates]

| City | Steak, sirloin, boneless | Roast, chuck, boneless | Pork chops | Roast, pork, boneless | Ham, canned | Bacon, sliced, pkgd. | Broilers, whole | Eggs, dozen | Butter | Margarine | Cheese: Edam, Gouda, or Chedder | Milk, whole, liter | Oil, cooking, liter | Tomatoes | Onions, yellow | Potatoes | Apples | Oranges, dozen | Bread, white, pkgd. | Rice | Sugar |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bonn ........ | 9.57 | 6.57 | 5.38 | 9.79 | ([2]) | 7.00 | 2.12 | 1.11 | 3.47 | 1.72 | 4.49 | 0.43 | 1.75 | 1.52 | 0.97 | 0.28 | 0.81 | 1.79 | 0.67 | 1.40 | 0.68 |
| Brasília ...... | 1.65 | 1.43 | 2.50 | 4.59 | 4.87 | 6.32 | 1.24 | .74 | 2.82 | 1.29 | 3.72 | .26 | 1.08 | .58 | .41 | .36 | .92 | .64 | .84 | .46 | .32 |
| Brussels ..... | 9.38 | 5.15 | 4.15 | 4.48 | 7.10 | 3.70 | 2.42 | 1.31 | 4.01 | 1.78 | 4.73 | .47 | 1.39 | 2.26 | .72 | .31 | .75 | 1.70 | .79 | .96 | .82 |
| Buenos Aires . | 1.32 | .66 | 1.44 | ([2]) | ([2]) | 2.70 | 1.05 | 1.05 | 2.46 | 1.59 | 2.95 | .20 | 1.42 | .84 | .23 | .18 | .39 | .56 | .45 | .71 | .48 |
| Canberra ..... | 3.64 | 2.31 | 3.17 | 3.48 | 6.83 | 4.48 | 2.01 | 1.02 | 2.03 | 1.72 | 3.10 | .40 | 1.76 | .95 | .46 | .35 | .44 | 1.33 | .83 | .69 | .35 |
| Copenhagen .. | 11.32 | 5.18 | 6.00 | 6.33 | 7.13 | 5.64 | 2.20 | 1.40 | 3.84 | 1.73 | 3.92 | .46 | 1.92 | 3.00 | 1.49 | .58 | 1.49 | 2.76 | 1.25 | 1.15 | 1.27 |
| London ...... | 6.07 | 3.34 | 3.11 | 2.65 | 3.34 | 3.79 | 1.63 | .89 | 1.86 | 1.33 | 2.43 | .31 | 3.03 | 1.74 | .61 | .34 | .80 | 1.14 | .48 | .87 | .46 |
| Mexico City .. | 2.20 | 2.20 | 1.88 | 2.55 | ([2]) | 2.38 | 1.39 | .52 | 2.54 | 1.37 | 5.79 | .25 | .83 | .26 | .35 | .43 | .62 | .18 | .43 | .51 | .27 |
| Ottawa ...... | 4.38 | 2.36 | 3.98 | 2.91 | 5.18 | 3.37 | 1.83 | .90 | 2.63 | 2.08 | 3.77 | .63 | 1.86 | 1.66 | .74 | .34 | 1.03 | 1.42 | .74 | 1.07 | .53 |
| Paris ........ | 6.86 | 3.80 | ([2]) | 4.81 | 6.23 | 8.09 | 2.65 | 1.23 | 3.60 | 1.40 | 3.31 | .38 | 1.21 | 1.90 | 1.00 | .29 | .93 | 1.12 | 1.68 | 1.74 | .52 |
| Rome ........ | 6.77 | 5.42 | 4.18 | 4.18 | 4.90 | 4.06 | 2.08 | .95 | 3.75 | 1.64 | 3.84 | .44 | 1.00 | 1.58 | .79 | .51 | .45 | .94 | .89 | 1.17 | .63 |
| Stockholm ... | 10.14 | 7.37 | 5.75 | 10.21 | 7.05 | 6.54 | 3.35 | 1.78 | 3.17 | 2.33 | 5.08 | .36 | 4.73 | 2.33 | 1.57 | .53 | 1.12 | 2.20 | 1.89 | 1.24 | .81 |
| The Hague ... | 9.22 | 5.73 | 4.70 | 5.73 | 5.29 | 7.33 | 1.91 | 1.16 | 3.59 | 1.31 | 4.10 | .41 | 1.10 | .80 | .65 | .20 | .61 | 1.13 | .52 | .86 | .66 |
| Tokyo ....... | 25.31 | 15.58 | 6.04 | 7.34 | 10.99 | 8.08 | 2.98 | .91 | 5.10 | 3.50 | 5.63 | .77 | 1.83 | 2.33 | 1.05 | .99 | 2.13 | 9.76 | 1.10 | .99 | .88 |
| Washington ... | 3.84 | 2.56 | 3.95 | 3.70 | 5.22 | 3.55 | 1.12 | .69 | 3.15 | 1.63 | 5.38 | .51 | 1.92 | 1.52 | .88 | .64 | .93 | 1.84 | 1.04 | .71 | .53 |
| Median .... | 6.77 | 3.80 | 4.06 | 4.54 | 5.76 | 4.48 | 2.01 | 1.02 | 3.17 | 1.64 | 3.92 | .41 | 1.75 | 1.58 | .74 | .35 | .81 | 1.33 | .83 | .96 | .53 |

[1] 1 kilogram=2.2046 pounds; 1 liter=1.0567 quarts. [2] Not available. Source: U.S. Agricultural Attachés.



was 2.5 percent higher than 2 months earlier, that for cooked ham was up 7.1 percent, and the price of bacon was up 2.3 percent from the early March level.

All meat prices remained steady in Copenhagen in spite of the lifting of the price freeze on March 1.

Meat prices in London and Paris were relatively unchanged from the levels of 2 months earlier.

In The Hague, beef prices remained at high levels because of a low slaughter rate and short supplies, while pork prices continued to be relatively low because of abundant supplies.

Milk and dairy product prices advanced in about two-thirds of the capitals surveyed. In Ottawa, the price of milk was up 29 percent over the early March level as a result of the Ontario Milk Marketing Board's decision to grant price increases to producers. Changes in Government regulations upped Ottawa's butter prices by 8 percent, but cheese prices were not affected.

The recently authorized increase in Argentine butterfat prices was reflected in sharp rises for all dairy products in Buenos Aires. Since the March survey, the price of cheese has advanced by 124 percent, butter by 93 percent, and milk by 74 percent.

Brasília, too, reported higher prices for butter, cheese, and milk.

Dairy prices in most European Community (EC) capitals fluctuated moderately. Milk prices in Paris were up 6 percent from their early March level, reflecting higher levels authorized by the Government on April 4.

Higher EC target and intervention prices for milk and dairy products for the 1977/78 season caused butter prices to rise by 5 percent in The Hague.

Prices for fruits and vegetables—except potatoes—followed seasonal price trends during the March-May period. Rome reported potato prices higher than March's but lower than those of a year earlier.

Potato prices in Brussels were 48 percent below the year-earlier level. Italian new potatoes on the Brussels market were retailing in early May at $1 per kilogram.

Bonn's potato prices were down in early May, with producer stocks reported to be at least as high as those of a year earlier.

In May 1976, the cost of a home-prepared meal consisting of 112 grams of steak, one tomato, two slices of bread, and 1 pat of butter was $3.50 in Tokyo, 89 cents in Washington, and 43 cents in Brasília.

One year later, the price of a similar meal had risen to $3.60 in Tokyo, 94 cents in Washington, and 45 cents in Brasília.

In Mexico City, the same items served at home in May 1976 cost the equivalent of 68 cents, but the cost in May 1977 was only 41 cents because of the peso devaluation.

A breakfast consisting of a small glass of orange juice, two slices of toast, one egg, two slices of bacon, and a glass of milk in May 1976 cost $2.06 in Tokyo, but 1 year later cost $2.43 there; in Washington, 76 cents in May 1976 compared with 78 cents in May 1977; in Buenos Aires, 30 cents compared with 45 cents; but in Mexico City 32 cents compared with 68 cents a year earlier.

—Sidonia R. DiCostanzo, FAS

### *Data Qualifications*

**Food price indexes, which reflect food price changes in general, are obtained from official government sources. They are based on local-currency prices, and are not directly affected by exchange rate fluctuations.**

**Food prices of selected commodities are obtained by U.S. Agricultural Attachés on the first Wednesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of the compilation. Thus, shifts in exchange rates directly affect comparisons between time periods.**

**The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availablity vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.**

CONSUMER PRICE INDEX CHANGES IN SELECTED COUNTRIES [1]

| | | | Percent change from | | |
|---|---|---|---|---|---|
| Country | Latest month | Index 1970 = 100 | Prev. month | Three months | One year |
| Argentina | March | 13,293.7 | + 7.5 | + 25.8 | +215.8 |
| Australia | March | 205.0 | (2) | + 2.2 | + 13.6 |
| Belgium | March | 171.3 | — .1 | + 1.7 | + 7.3 |
| Brazil | March | 486.0 | + 4.2 | + 13.0 | + 44.7 |
| Canada | March | 161.5 | + 1.0 | + 2.8 | + 7.4 |
| Denmark | March | 181.4 | + 1.5 | + 1.5 | + 8.6 |
| France | March | 177.1 | + .9 | + 1.9 | + 9.1 |
| Germany | March | 145.2 | + .3 | + 1.9 | + 3.9 |
| Italy | March | 229.7 | + 1.3 | + 5.1 | + 21.7 |
| Japan | March | 200.3 | + .8 | + 2.2 | + 9.9 |
| Mexico | March | 252.5 | + 1.7 | + 7.3 | + 30.2 |
| Netherlands | March | 172.0 | + .8 | + 1.5 | + 7.2 |
| Sweden | March | 173.3 | + 1.0 | + 3.5 | + 9.6 |
| United Kingdom | March | 240.5 | + 1.0 | + 4.7 | + 16.8 |
| United States | March | 153.2 | + .6 | + 2.2 | + 6.4 |

[1] Based on official price indexes. [2] Not available.

FOOD PRICE INDEX CHANGES IN SELECTED COUNTRIES [1]

| | | | Percent change from | | |
|---|---|---|---|---|---|
| Country | Latest month | Index 1970 = 100 | Prev. month | Three months | One year |
| Argentina | March | 14,317.4 | + 8.2 | + 25.0 | +223.7 |
| Australia | March | 189.5 | + 1.2 | + 2.0 | + 10.0 |
| Belgium | March | 169.4 | — 1.3 | + .8 | + 8.2 |
| Brazil | March | 542.8 | + 6.5 | + 16.6 | + 49.7 |
| Canada | March | 174.8 | + .9 | + 4.2 | + 4.7 |
| Denmark | March | 194.8 | + 1.0 | + 1.4 | + 8.8 |
| France | March | 188.7 | + .9 | + 2.4 | + 10.6 |
| Germany | March | 142.6 | + .4 | + 3.0 | + 5.0 |
| Italy | March | 231.1 | + 1.2 | + 4.6 | + 20.9 |
| Japan | March | 208.3 | + .9 | + 4.9 | + 8.9 |
| Mexico | March | 254.4 | + 1.7 | + 8.1 | + 27.6 |
| Netherlands | March | 160.5 | + 0 | + 1.1 | + 7.5 |
| Sweden | March | 183.7 | + 1.3 | + 5.5 | + 11.1 |
| United Kingdom | March | 288.3 | + 1.1 | + 5.9 | + 21.3 |
| United States | March | 164.1 | + .4 | + 3.8 | + 5.5 |

[1] Based on official price indexes.

# U.K. Textile Production, Exports Showing Upturn

THE COMPETITIVENESS of the United Kingdom's textile and clothing industry is improving this year as a result of increased export demand stemming from the decline in the sterling exchange rate in 1975 and mid-1976, and its apparent stabilization since then, reports William L. Rodman, U.S. Agricultural Attaché in London.

Led by the sharp pickup in textile exports and a stronger domestic offtake for clothing and household textiles, the U.K. textile industry may consume some 530,000 bales (480 lb net) during 1976/77. Thus, cotton use would be 7 percent greater than that of last season, but still about 90,000 bales short of the 1970-75 average.

Sales recovery by U.K. textile companies, however, is still in an early stage. Over the longer term, the position of the textile industry could improve even more through proposed stricter import controls to curb the rising flow of textile imports and the increasing U.K. trade deficit in clothing.

To this end, the British Clothing Industry Joint Council (BCIJC) was founded in February to deal with severe pressures resulting from imports, especially low-priced imports from the Far East and Eastern Europe. Additionally, the textile industry is seeking safeguards through negotiations of a new Multi-Fiber Arrangement (MFA) under the General Agreement on Tariffs and Trade (GATT).

Although a large part of the industry is still operating below capacity, British textile production—and employment—are moving upward. This upturn reflects both increased exports and greater domestic consumer demand and spending. Cotton consumption and the amount of imported fiber moving into the industry have increased.

During August 1976-January 1977, British imports of raw cotton rose to 51,894 metric tons, compared with 50,799 in the same year-earlier period. Imports from the United States nearly trebled (from 2,331 tons to 6,861) as did those from Uganda (from 976 tons to 2,883). The Soviet Union continued to be the biggest supplier, shipping 14,173 tons, an increase of 32 percent. Major decreases occurred in imports from Colombia (down from 9,135 tons to 2,916) and Pakistan (down from 649 tons to 251).

In this same period, U.K. imports of finished cotton fabric increased from 14,523 tons a year earlier to 16,821 tons. The U.S. share rose slightly from 3,765 tons to 4,000—ranking second to those from other countries of the European Community (EC), which climbed from 4,171 tons a year ago to 4,878.

Also in this time frame, U.K. imports of unbleached grey cotton fabrics amounted to 26,536 tons, about the same level as the 26,276 tons a year earlier. The U.S. share fell from 377 tons to 117 while India's jumped sharply from 3,708 tons to 10,085.

In 1976, U.K. consumer spending on clothing and household textiles is estimated to have risen 4-5 percent while overall consumer expenditures increased only 1 percent, Rodman reports.

Also, since mid-1976 there has been a marked improvement in the U.K. balance of trade in textiles and clothing. British textile exports rose 36 percent to $2.6 billion in 1976 as the decline in sterling's value gave U.K. producers a sharp competitive edge in international markets. Last summer the English pound plummeted to a low of $1.59, but currently it has stabilized at around $1.71.

The combination of the drop in sterling relative to Far Eastern currencies, lower British costs (including more economic shipping arrangements), and rising costs in competing countries, such as Japan, has enhanced U.K. prospects for more sales in the Far East.

The success of two British textile companies reflects the improved position of the U.K. textile, clothing, and manmade cellulosic fiber sector. One company's export sales, including its exports of manmade fibers, jumped 46 percent in 1976 while its overseas profits tripled and overall profits doubled. The other's export sales rose 40 percent in 1976. And with its export earnings in the Far East up 250 percent last year, the firm has established a permanent base in Japan.

On the negative side of U.K. trade, British imports of yarns and fibers have risen sharply since the MFA went into effect in January 1974. Clothing imports, including everything from T-shirts to suits, have increased even more dramatically, rising 106 percent in the last 3 years—although the U.K. market has grown very little during that time. In 1976, U.K. textile imports jumped nearly one-third to $2.8 billion.

Furthermore—despite the mid-1976 improvement in the trade situation—the U.K. trade deficit in clothing continues considerably worse than in 1971, when the deficit was only $82 million, compared with last year's $465 million. It has been estimated that textile imports caused the loss of 100,000 jobs in the United Kingdom during the past 4 years. Also, it has been projected that by 1980, the U.K. textile work force will be 711,000, compared with 983,000 in 1971—a difference of 272,000 jobs.

These adverse conditions led to creation of the Joint Council, whose task is to coordinate policy on economic and industrial relations, present combined views to the British Government and international bodies, and provide a forum for consultations.

The Council claims to represent 12 percent of the United Kingdom's total manufacturing work force. This sector is the nation's fourth largest export earner, and its strike record is less than one-third the national average.

IN ADDITION, the British textile industry hopes to secure better terms under a new MFA. These goals include:

- A single quota on disruptive or potentially disruptive imports. Under existing MFA rules, new suppliers are dealt with separately.
- A rule change so that the growth rates of imports from low-cost producers be adjusted to reflect the domestic circumstances in the importing country.
- Switching the burden of proof in antidumping cases from the British producer to the overseas exporter shipping goods to the U.K. market.

Low-priced imports from the Far East and Eastern Europe have recently become more than ever a major problem for British textile manufacturers, although for many years the United Kingdom has imported a large proportion of its textile requirements from such countries as India, Pakistan, and Hong Kong. In the last few years, imports of woven cotton and manmade fiber cloth have exceeded domestic production.

# The Relationship Between Trade and Food Security

By DALE E. HATHAWAY
*Assistant Secretary for International Affairs and Commodity Programs*
*U.S. Department of Agriculture*

FOOD SECURITY has both a long-term and a short-term meaning. In the long term, food security is the assurance that per capita food consumption can at least be maintained at current levels and preferably increased over time, particularly in poor countries. In the short term, food security is the capability to prevent sharp declines in supplies and resultant sharp increases in prices to levels which many low-income consumers at home and aboard cannot afford.

Of course, the food security issue does have special importance to developing countries. For these nations, failure to achieve food security can mean acute hunger, malnutrition, or even starvation. But food security is significant to all nations, and should not be used only with reference to the concerns of developing countries. Indeed, constructing a system for world food security is dependent on the ways in which all nations relate to each other.

Long-term food security requires increased food production. Without sustained production increases—particularly in the poorest nations—there can be no long-term food security for the bulk of mankind.

The world must expand the production capability of efficient, low-cost producers, and give them access to world markets. Trade and trade liberalization have an important role to play. World food production can increase more rapidly because resource investments are concentrated in the areas which yield the highest returns. This will increase the likelihood that per capita food consumption in all countries can be increased over time.

In order to provide short-term food security, each nation must develop the capability to offset weather-induced fluctuations in production. Both reserve stocks and international trade opportunities become very important, and this relationship deserves special attention.

Aggregate world grain production is clearly much more stable than the production of individual countries. Poor harvests in one region are usually offset by above-average production elsewhere. Therefore, in theory, if grain were allowed to flow freely among nations, allocated only by a free market price, all nations could achieve a higher degree of year-to-year stability of supplies without large reserve stocks. In such a free trade world, each nation could rely primarily on its trade opportunities and financial reserves to offset fluctuations in its own production.

But, the world is not structured as economic theorists might want. Most nations have policies to stabilize domestic grain prices by insulating themselves when possible from adverse movements in the world market. The mechanisms to do this are familiar to all: Variable import levies and export tariffs, state trading organizations which vary the differential between internal and export prices, and other export and import control devices. Few nations operate without some protective policies.

Through these policies, nations maintain stability in their domestic prices to prevent short-term adjustments in consumption or production. Ideally, the burden of curtailing consumption in response to a world production shortfall should be shared by all nations. For example, given a shortfall in the world production of one grain, all nations should permit the commodity's price to rise in order to discourage it being fed to livestock. But, the burden falls most heavily on the poorest food-deficit nations, or countries which seek to maintain open economies. Domestic price stability for some is achieved through policies which contribute to instability for others.

Economists have tried to estimate the extent to which such barriers to adjustment contributed to the world food crisis of 1972-74.

Tim Josling, of the University of Reading, has estimated that domestic price stability schemes reduced the amount of wheat available to the world market by over 19 million tons in 1971-74. This is about the same amount as the Soviet purchases, or the world production shortfall, in 1972.

The impact of such increases is shown by a recent U.N. Food and Agricultural Organization (FAO) study indicating that between 1971 and 1974 consumer wheat prices more than tripled in the United States, while prices rose only 35 percent in the European Community (EC), 52 percent in Japan, and 60 percent in Australia. Foodgrain price increases in some poor food-deficit countries were even greater than in the United States.

The general implications of these analyses are clear: Reducing the barriers to short-term adjustments would contribute significantly to short-term food security. If these are reduced, the amount of reserve stocks needed to achieve a measure of international price stability would be smaller. In most cases, the adjustment barriers are in fact trade barriers. Therefore, reduction of these barriers requires certain trade liberalization measures.

NOW WE come to the chicken and the egg problem. Some advocates of trade liberalization argue that agreement to use reserve stocks to moderate price swings would constitute acceptance of existing barriers to trade and adjustment. They assert that a reserve program would reduce the pressure for a reduction of barriers. And, they argue, this would be bad for two reasons: First, it would institute a stabilization policy based on stocks which would be less reliable and more expensive than stabilization based on liberalizing trade; second, it would forego the long-term economic gains of more open trade.

These arguments are debatable. In the first place, nations will be willing to reduce their trade barriers only when they believe the international market is sufficiently reliable to provide adequate supplies at reasonable prices. In this sense, a food security system is a prerequisite for trade liberalization. Without reasonable security, most countries will feel a need to maintain protective barriers. Thus, achieving greater security with reserve stocks will improve prospects for eventual reduction of trade

**Based on a speech delivered before the International Food Conference at the Pan American Health Organization, Washington, D.C., April 29, 1977**

barriers. I believe that commitments to adjustment policies should be included in discussions of international food security. Therefore, negotiating an international reserve agreement does not mean that efforts to liberalize world grain trade will be abandoned.

But, how do we deal with the special problems of developing countries? Achieving short-term food security for each developing country involves some very difficult policy choices. The objective is clear: A developing country must be able to obtain adequate supplies of foodgrains even if its own harvest is very bad or if international prices rise because of harvest failures in other countries. To achieve this goal, developing countries have two alternatives:

- Improve capacity to import foodgrains, or
- Build and hold domestic grain reserve stocks.

*"Without sustained production increases—particularly in the poorest nations—there can be no long-term food security for the bulk of mankind."*

Improved capacity to import foodgrains would require careful management of foreign exchange resources. And it may require additional investment in transportation infrastructure such as port facilities. However, in the short term, a nation's foreign exchange reserves and its transportation system may not be adequate, and time may be required to ensure its capacity to import grain whenever necessary.

Building grain reserves may involve postponing the consumption of scarce food. It requires investment in both grain and storage facilities. It diverts resources which might otherwise be invested in irrigation and other programs which increase production and reduce risk of harvest fluctuations.

Some national reserve stocks of grain are probably a necessary part of each developing country's food security system and would contribute to the international food security system. But, in the long term, investing in the capacity to expand production and to finance and transport imports when necessary has significant advantages over investing in large national grain stocks. Financial reserves are not only cheaper to store than grain, but are also more flexible in their end use. Similarly, improved transportation systems contribute significantly to the general economic development of the nation. Thus, for a developing country, improved opportunities for and capacity to trade can make an important contribution to food security.

Also, nations should not pursue policies which attempt to shift the burden of maintaining food supplies onto others. For the most part, developed countries have pursued such policies. These policies must be corrected. No nation—particularly a developing country—should be encouraged to pursue an autarkic approach to food security by building reserve stocks large enough to cover all foreseeable domestic shortfalls, without resorting to any imports.

There are several things which wealthy nations can do to help developing countries achieve food security. First, ensure that foodgrains are always available to developing countries in commercial markets; an international reserves agreement, coupled with grain trade liberalization, would help. And, as further assurance, major exporters should agree that they will not deny commercial exports to a developing country. Guarantees against export embargoes to developing countries would lessen the fears and tensions created by talk of using food as a weapon. Such fears contribute to the determination of developing countries to undertake costly and inefficient approaches to food security.

Second, donor nations should seek to ensure that food aid will be made available to help offset major harvest shortfalls and other emergencies in developing countries. In this way, food aid can be an instrument to help each developing country stabilize its foodgrain consumption. Perhaps this use of food aid should be backed up by a special reserve stock. This question deserves further study.

Third, developed countries should continue efforts to improve the foreign exchange earnings of developing countries and to construct an international monetary system in which developing countries' financial assets can be efficiently managed. For agricultural trade, this would involve reducing market barriers for developing countries' products. However, a recent study suggests that the potential value of such liberalized access for agricultural products would be of limited value to the poorest developing countries.

Finally, through established multilateral and bilateral aid channels, through institutions such as the International Fund for Agricultural Development, and through the worldwide network of agricultural research institutes, all wealthy nations should contribute efforts to expand food production in the developing world.

The U.S. Government is trying to contribute to world food security in several ways.

First, the United States must maintain its own productive capacity. As one of the low-cost producers of grain, the United States has a special obligation in this regard.

Second, it is cooperating fully in international efforts to increase food production in developing countries.

Third, the Administration has taken the initiative to create a reserve from the existing large wheat supplies. Through the recently announced extended reseal program, the United States will be providing incentives for farmers to hold stocks off the market during periods of low prices for release during periods of relative shortage. But, the United States does not intend to unilaterally assume the burden of maintaining world reserve stocks.

*"No nation—particularly a developing country—should be encouraged to pursue an autarkic approach to food security by building reserve stocks large enough to cover all foreseeable domestic shortfalls. . . ."*

Fourth, we hope to participate in an international agreement in which other nations would share obligations both for reserve stocks and for adjustment measures.

Fifth, we are continuing our efforts to seek trade liberalization for agricultural products.

And, sixth, we are examining alternatives to ensure that priority food aid contributions are uninterrupted during periods of high prices.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

## ROMANIA NEEDS PROTEIN FEED DESPITE RECORD GRAIN CROP

An expected downturn in 1977 grain production from the record 1976 harvest, together with continuing shortages of high-protein feeds, will keep Romania in the market for imported feed ingredients this year, reports Robert J. Svec, U.S. Agricultural Attaché, Belgrade. At the same time, the country may find itself hard put to sustain rapid growth in its livestock industry, given the current tight world supply situation for soybeans and Romania's heavy reliance on imported protein feed.

During 1976, for instance, grains and soybeans accounted for nearly 70 percent of U.S. farm exports to Romania, which were up 70 percent over those of 1975 to a record $171.6 million.

In 1976, U.S. farm products to Romania included: Wheat, $48.5 million; soybeans, $45.3 million; soybean oilcake and meal, $17.7 million; grain sorghum (excluding seed), $18.1 million; and whole cattle hides, $26.5 million.

While definitive information on the impact of the recent earthquake is lacking, the greatest damage to Romanian agriculture was reportedly in the livestock and poultry sectors as thousands of animals were killed—mainly because of collapsed barns. As well, grain elevators and irrigation systems were damaged.

Forecasts of the 1977 grain crop, including rice, project a drop from the estimated record of 19.7 million metric tons in 1976 to about 17.0 million. Romania's grain outturn in 1975 totaled 15.3 million tons.

Following the record 1976 grain crop, Romania enters the 1977/78 marketing year with relatively good wheat stocks, but a potentially tight feedgrain supply. This, in turn, could dampen livestock expansion while increasing imports of protein meal to balance livestock rations, Svec says.

Final outturn of the 1977 grain crop, however, will depend more on the weather between now and harvesting, which could vary the 1977 grain crop estimates by a plus or minus 3 million tons.

The wheat crop apparently is in relatively good condition. Winterkill was probably minimal following a comparatively mild winter. During an unusually warm and dry March and early April, soil moisture conditions in important grain-producing areas were reported to be 65-80 percent of normal. Winter wheat, however, was more advanced and in better condition than the crop in the spring of 1976.

Although grain production reached a new high in 1976, it still fell short of planned levels by 784,000 tons. Wheat output is placed at about 6.7 million tons, compared with 4.9 million a year earlier. Wheat consumption is estimated at about 6.0 million tons, indicating a buildup of around 1 million tons in wheat stocks. This buildup could result in Romania continuing as a net exporter of wheat, Svec reports.

The 1976 corn production is estimated up 27 percent from that of 1975 to 11.7 million tons. Many fields of corn were reportedly harvested as grain even though the corn appeared to be quite green. Corn with 40-percent moisture content was reported. Coupled with Romania's shortage of grain-drying equipment, post-harvest corn losses were running higher than normal. While the wheat situation appears to be in good shape, there was only a moderate buildup in feedgrain stocks—despite the large corn crop.

The 1977 forecasts project downturns in wheat to 5.8 million tons and in corn to 10 million. Total grain area, excluding rice, is expected to remain at about the 1976 level of 6.3 million hectares, but overall yield is forecast to drop from 31.3 quintals per hectare to 27.0.

The recent growth in the livestock sector continued through 1976. Cattle numbers rose to 6.3 million on January 1, 1977, compared with 6.1 million a year ago and 6.0 million on the same date in 1975. Hog numbers jumped to 10.2 million at the start of 1977, compared with 8.8 million in 1976 and 8.6 million in 1975; poultry numbers increased to 91.4 million this year, compared with 78.6 million and 67.7 million the previous 2 years.

These rapid 2-year increases of 6.1 percent for cattle, 19 percent for hogs, and 35.1 percent for poultry have put intense pressure on Romania's feed supplies, especially protein feeds. The country will thus have to import large amounts of feed ingredients if it is to sustain expansion in the livestock sector, according to Svec.

A continued rise in egg production is also projected during 1977. Planned output is placed at 6.1 million eggs, compared with 5.8 million in 1976 and 5.4 million in 1975. Based on increased poultry numbers and the record 1976 grain crop, Romania's 1977 egg production goal appears to be attainable.



☆U.S. GOVERNMENT PRINTING OFFICE: 1977 241-410/34 1-3